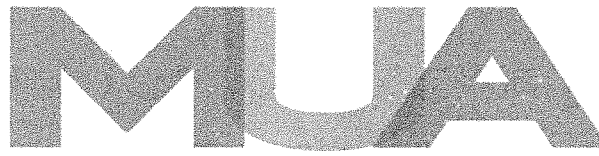


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/ BACHELOR
OF COMMERCE**

BML 100/BCM 114: FINANCIAL ACCOUNTING

DATE: 11TH APRIL 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

- a) Discuss three major sections of the accounting equation. (6marks)
- b) Discuss any five users of accounting stating the importance of accounting information to each. (5marks)
- c) Difference between real and nominal accounts (2marks)
- d) P. Burton and A. White are in Partnership sharing profit and losses in the ratio 3:2 respectively. During the year ended 31st December 19-5 the net profit was shs.15,500 and the partners drawings were:

P. Burton	Shs.3, 000
A. White	Shs. 2,500

Interest is charged on Partners capital at the rate of 5% p.a. No interest charge on drawings. A. White is entitled to salary of shs.1, 500 per annum.

The balance on the Partners account (All credit balances) at 1st January 19-5 are:

	Capital Account	Current Account
P. Burton	Shs.20,000	shs.1,570
A. White	Shs. 15,000	Shs. 890

Required

Prepare the partnership profit and loss appropriation account and the partners current accounts for the year ended 31st December 19-5. (7 marks)

- e) State five common causes of difference between bank statement and cash book . (5. marks)

QUESTION TWO

1. Mr. Simon Kanja had the following assets and liabilities as at 1 Jan 2001:

	Sh.
Cash at bank	1400000
Stock	4000000
Debtors: W. Kamau	1500000
R. Nundu	960000
Creditors: J Polo	1300000
S. Matoke	850000
Office equipment	420000
Motor Van	3200000

His transactions during the month of January were as follows:

- Jan 2: Withdrew sh. 200,000 from bank for office use
- 2: Purchased goods from J. Polo shs. 250,000 on credit
- 4: Bought office stationery shs. 36,000 in cash
- 7: Received cheque shs. 940,000 from R. Nundu in full settlement less shs. 20000 cash discount
- 12: Sold goods to W Kamau sh. 1,400,000 in credit
- 14: Paid salaries shs. 80,000 in cash
- 15: Paid S. Matoke shs. 600,000 by cheque on account
- 16: Returned goods worth shs. 30,000 to J. Polo and received a credit note
- 20: Bought office equipment shs. 145,000 on credit from Patel brothers
- 23: Sold all goods on hand receiving shs. 1,250,000 cash and shs. 5,000,000 by cheque
- 27: Paid Patel brothers shs. 130,000 in cash
- 28: Withdrew shs. 370,000 from the bank for personal use
- 29: Paid rent sh 160,000 in cash and salaries shs. 180,000 by cheque

Required:

- a) S. Kanja's capital as at 1 Jan 2001

a) 5. (5marks) capital as at

- b) Post the above transactions to the relevant ledger accounts. Close all the ledger accounts and bring down the balances as at 1st Feb 2001. (10 marks)

QUESTION THREE

The following transactions relate to Mrs. Kopiyo's Kiosk in August 2006

- a) On 1st August 2006 Mrs. Kopiyo began business in cash with shs. 100,000
- b) 3rd August she deposited Ksh. 80,000 in the bank
- c) 5th August she acquired furniture for shs. 5000 in cash
- d) 7th August she purchased stock for shs. 45,000 on credit
- e) 9th August she sold goods for shs. 30,000 in cash
- f) 10th August she paid transport for sh 500 in cash
- g) 12th August, she paid creditors shs. 40,000 by cheque
- h) 18th August she purchased goods for sh 35,000 by cheque
- i) 20th August, she purchased goods for shs. 35,000 by cheque
- j) 26th August she sold sh. 25,000 by cheque

Required:

Make the journal entries

(15marks)

QUESTION FOUR

The following trial balance has been extracted from the ledger of Mr. Yousef, a sole trader

Mr. Yousef trial balance as at 31 May 2006

	Dr. £ a	Cr. £ b
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawing	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and wages	26,420	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	
Cash in hand	177	
Cash in bank	1,002	
Stock at 1 June 2005	11,927	
Equipment at cost	58,000	
Accumulated depreciation		19,000
Capital	-	53,091
	<u>216,770</u>	<u>216,770</u>

The following additional information as at 31 May 2006 is available:

- Rent is accrued by £ 210
- Rates have been prepaid by £880
- £2,211 of carriage represents carriage inwards on purchases
- Equipment is to be depreciated as 15% per annum using the straight line method
- The provision for bad debts to be increased by £40
- Stock at the close of business has been valued at £ 13,551

Required:

- Prepare statement of comprehensive income for the year ended 31 May 2006. (8 Marks)
- Prepare a statement of financial position as at 31 May 2006. (7marks)

QUESTION FIVE

- a. Outline any five uses of financial ratios that could be useful to a firm.

(5 marks)

- b. Nyilwo Ltd is an expanding private company in the electric trade .Accounts prepared in January 19-6 included the following information:

Statement of income statement for the year ended 31st December

(kshs.000s)

Sales	2,000	3,200
less	<u>1,100</u>	<u>1,800</u>
Gross Profit	900	1,400
Less Trading Expenses	<u>450</u>	<u>550</u>
Trading Profit	450	850
Less Debenture Interest	<u>25</u>	<u>25</u>
Net Profit before Taxation	425	825
Less Corporation Tax	<u>160</u>	<u>320</u>
Net Profit after Taxation	265	505
Less: Ordinary Share Dividend	125	175
Undistributed profit for the year	140	330

Balance Sheet As at 31st December (kshs.000s)

	19-5	19-6		19-5	19-6
Authorized Capital	500	500	Fixed Asset	1000	1400
(kshs.1 shares)			Less. Depreciation	<u>200</u>	<u>250</u>
Undistributed Profit	350	680		800	1150
10% Debentures	250	110	Current Assets		
			Stock	400	550
			Debtors	250	350
			Cash	<u>80</u>	730
				-	900
			Less Current Liab.		
			Creditors	145	200
			Taxation	160	320
			Proposed Div.	125	175
			Bank Overdraft		65
				(430)	(760)
	<u>1100</u>	<u>1290</u>		<u>1100</u>	<u>1290</u>

Required

- a) Compute six accounting Ratios-for Both 19-5 and 19-6 which would be of particular value in assessing the profitability and liquidity performance of Nyilwo Ltd.

(6 marks)

- b) Comment on the Current position of the company with the aid of the accounting ratios computed.

(4marks)

QUESTION SIX

- a) Describe the uses and limitations of computers in accounting

(7marks)

- b) Write short notes on the following concepts as used in business:

i) Gong concern concept

(2marks)

ii) Accruals concept

(2marks)

iii) Prudence concept

(2marks)

iv) Consistency concept

(2marks)